Inke Limited
映客互娛有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3700)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Year-on-Year Change*	For the year ended 31 December
	2019	2018		2018
	(unaudited)	*(unaudited)*	(%)	*(audited)*
	(RMB in thousands, except for percentages)			
Revenue	**1,485,571**	2,281,186	**(34.9)**	3,860,593
Cost of sales	**(1,054,794)**	(1,500,768)	**(29.7)**	(2,555,182)
Gross profit	**430,777**	780,418	**(44.8)**	1,305,411
Operating profit	**(66,485)**	467,419	**(114.2)**	633,928
(Loss)/profit for the period/year	**(27,547)**	958,392	**(102.9)**	1,100,946
Non-IFRS				
Adjusted net (loss)/profit**	**(10,917)**	409,320	**(102.7)**	596,259

* Year-on-Year Change % represents a comparison between the current reporting period and the corresponding period last year.

** Non-IFRS adjusted net (loss)/profit was calculated using (loss)/profit for the period/year eliminates the effects of non-cash fair value gain/(loss) of financial instruments with preferred rights and share-based compensation expenses.

OPERATIONAL HIGHLIGHTS

The following table sets forth the major operating data of the Group.

	For the six months ended		Year-on-Year Change*
	30 June 2019	30 June 2018	%
	(in thousands, except for percentages)		
Average monthly active users**	**29,526**	25,819	14.4

* Year-on-Year Change % represents a comparison between the current reporting period of 2019 and the corresponding period last year.

** Average MAU in the first half year of 2019 is based on the products of the Group, including Inke and Yinpao, etc. Average MAU in the corresponding period last year was based on the Inke App.

The board of directors (the "**Board**") of Inke Limited (the "**Company**") is pleased to announce the unaudited consolidated results (the "**Interim Results**") of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"). The Interim Results have been reviewed by PricewaterhouseCoopers, the auditor of the Company, and the audit committee of the Company (the "**Audit Committee**").

BUSINESS OVERVIEW AND OUTLOOK

Business Review

For the six months ended 30 June 2019, as a result of fiercer competition, the Group recorded revenue and gross profit of RMB1,485.6 million and RMB430.8 million, respectively, representing a decrease of 34.9% and 44.8%, respectively, from the corresponding period of last year. The Group recorded net loss for the first time, which was mainly due to the fact that the Company strengthened investment in technical and product research and development to make early preparation for the next generation of interactive entertainment scenes; and that in order to diversify its business model and cater to the needs of users in different regions at different ages for interactive entertainment, the Company actively established an innovative product matrix to expand user coverage and increased investment in marketing campaign. As at 30 June 2019, the average number of monthly active users of the products of the Group was approximately 29.5 million.

Business Outlook

Competition in the live streaming industry has intensified since 2019. The Group actively coped with the situation and strived to develop its interactive entertainment and social networking product matrix so as to establish an organic traffic system. In particular, for the interactive entertainment product matrix, the Group has, based on its mature product, business and operation models and in-depth understanding of market and users accumulated since its establishment, gradually launched video and audio products with refined operation targeting niche market and vertical user base, including Yinpao, an audio interactive entertainment product, and Laoyou, a video interactive entertainment product for the middle-aged and the elderly. Through market exploration and continuous product optimisation, the Group has accumulated extensive experience in interactive entertainment product innovation and formed a relatively mature model of continuous research and development and expansion. For social networking product matrix, the Group conducted product verification and actively sought market opportunities. In July 2019, the Group announced its acquisition of the entire interest in the parent company of Jimu App. The Group believes that, Jimu App, as a social networking product which is rapidly growing and has obtained a sizeable user base, will effectively assist the implementation of the Group's social networking product development strategy upon completion of the acquisition. In addition, the Group will continue to research social networking products in various areas and conduct prudent verification.

In the second half of 2019, the Group will continue to implement the following growth strategies and strive to build an industry-leading interactive entertainment platform:

- Consolidate core competitiveness and establish an interactive entertainment product matrix. In the second half of 2019, based on its mature industrial and business model and its experience gradually gained in innovative product research and development, the Group will continue to develop innovative products in video and audio interactive entertainment areas to cover more niche markets and vertical user bases. The Group expects that the product matrix will enable the Group to quickly expand market coverage and penetration and to more effectively focus on and meet the needs of various markets and user bases for interactive entertainment, which will bring new opportunities for the growth of the Group.

- Develop a social networking product matrix and establish an organic traffic system. As an important part of its strategies, the Group will strengthen its effort into the establishment of a social networking product matrix in the second half of 2019. The Group announced in July 2019 the acquisition of the parent company of Jimu App. The Group believes that with Jimu App's established large-scale young user base, strong development trend and quality brand image, the Group will be able to facilitate the further rapid development and quickly establish an effective commercialisation model for Jimu App through the Group's existing research and development capabilities, marketing resources and commercialisation experience, so that Jimu App will become an important part of the social networking product matrix and traffic system of the Group. Furthermore, leveraging Jimu App's product and operation experience, the Group will continue to optimise the existing social networking products within the Group and more focus on vertical market opportunities.

- Continue steady technical investment and improve user experience. As 5G technologies gradually mature and with the rapid development of cutting-edge technologies such as artificial intelligence, the Group will maintain its investment in technical and product research and development, make preparation for the next generation of interactive entertainment scenes, further explore user behaviours and needs, and enrich diversified interaction functions, so as to provide interactive entertainment and social networking experience with higher quality for users.

- Identify opportunities for investment and acquisitions meeting the Group's development and operational strategies. The Group will continue to keep an eye on domestic and overseas pan-entertainment industry, especially the opportunities for cooperation, investment and acquisition which meet the development and operational strategies of the Group, have the potential of fast turnover and can generate strong synergies with its existing product matrix, and will effectively implement its strategies for interactive entertainment and social networking.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

The Group's revenue for the six months ended 30 June 2019 amounted to approximately RMB1,485.6 million, representing a decrease of 34.9% from approximately RMB2,281.2 million recorded in the corresponding period in 2018. Online advertising increased by 47.1% to approximately RMB70.4 million in the six months ended 30 June 2019 from approximately RMB47.8 million in the corresponding period in 2018. The decrease in revenue was primarily caused by the live streaming business. The revenue generated from live streaming decreased, which was in line with the impact of slower industry growth. The Company is dedicated to cultivate spending habits of long-tail users and spending ecosystem to generate more growth potential in the future.

Cost of sales

The Group's cost of sales decreased by 29.7% to approximately RMB1,054.8 million in the six months ended 30 June 2019 from approximately RMB1,500.8 million in the corresponding period in 2018, mainly affected by the decrease in the revenue. The Group's cost of sales percentage of revenue increased to 71.0% in the six months ended 30 June 2019 from 65.8% for the corresponding period in 2018, primarily due to a decrease in revenue and cost of sales.

Gross profit and gross profit margin

As a result of the foregoing, the Group's gross profit decreased by 44.8% to approximately RMB430.8 million for the six months ended 30 June 2019 from approximately RMB780.4 million for the corresponding period in 2018, and the Group's gross profit margin decreased to 29.0% for the six months ended 30 June 2019 from 34.2% for the corresponding period in 2018, primarily due to a decrease in revenue and cost of sales.

Selling and marketing expenses

The Group's selling and marketing expenses increased by 23.6% to approximately RMB320.6 million for the six months ended 30 June 2019 from approximately RMB259.3 million for the corresponding period in 2018, which was mainly attributable to an increase in investment of innovative product matrix enrichment, user coverage expansion and marketing campaign.

Administrative expenses

Administrative expenses for the first half year of 2019 were RMB94.4 million, which represented an increase of 22.5% from RMB77.1 million in the first half year of 2018, primarily attributable to an increase of RMB23.1 million in impairment loss.

Research and development expenses

The Group's research and development expenses increased by 79.6% to approximately RMB153.0 million for the six months ended 30 June 2019 from approximately RMB85.2 million for the corresponding period in 2018. The increase was in line with the rapid development of cutting-edge technologies such as 5G and artificial intelligence. The Company increased its research and development investment in technologies and products and developed the next generation of interactive entertainment scenarios in advance to provide enriched interactive entertainment experiences for its users.

Other gains — net

The Group recorded net other gains of approximately RMB33.5 million for the six months ended 30 June 2019, which primarily consisted of income from investment in wealth management products and investment in non-current financial assets at fair value through profit or loss. In the corresponding period in 2018, the Group recorded net other gains of approximately RMB23.5 million.

Finance income — net

The Group recorded net finance income of approximately RMB22.9 million for the six months ended 30 June 2019. The Group recorded net finance income of approximately RMB5.4 million for the corresponding period in 2018.

Share of profit/(loss) of investments accounted for using the equity method

The Group's share of profit of investments accounted for using the equity method increased to approximately RMB14.4 million for the six months ended 30 June 2019 primarily due to the profit from the investment in an associate and a joint venture. The Group recorded approximately losses of RMB9.3 million for the corresponding period in 2018.

Fair value gains of financial instruments with preferred rights

The Group did not have any fair value gain on financial instruments with preferred rights for the six months ended 30 June 2019, as compared with the fair value gains on financial instruments with preferred rights of approximately RMB549.1 million the Group recorded for the corresponding period in 2018, primarily due to no preferred share was issued in 2019 after the listing of the Company in 2018.

Income tax credit/(expense)

The Group recorded income tax credit of approximately RMB1.6 million for the six months ended 30 June 2019 and income tax expense of approximately RMB54.2 million for the corresponding period in 2018, primarily due to the decrease of the profit before income tax for the six months ended 30 June 2019.

(Loss)/profit for the period

As a result of the foregoing, the Group's loss for the period was RMB27.5 million for the six months ended 30 June 2019. In comparison, the Group recorded a RMB958.4 million profit for the corresponding period in 2018.

Non-IFRS Measure — Adjusted net loss/profit

To supplement the Group's condensed consolidated interim financial information which is presented in accordance with the International Accounting Standard 34 ("**IAS**"), "Interim financial reporting", the Group also uses adjusted net (loss)/profit as an additional financial measure. The Group's adjusted net (loss)/profit eliminates the effect of non-cash fair value profit of financial instruments with preferred rights and loss of share based compensation expenses. The table below sets forth the reconciliation of adjusted net (loss)/profit for the periods indicated:

	Unaudited For the six months ended 30 June	
	2019	2018
	(RMB in thousands)	
(Loss)/profit for the period	**(27,547)**	958,392
Add: non-cash fair value gain of financial instruments with preferred rights	**—**	(549,072)
Add: non-cash share based compensation expenses	**16,630**	—
Adjusted net (loss)/profit	**(10,917)**	409,320

Liquidity and Capital Resources

For the six months ended 30 June 2019, the Group financed its operations primarily through cash generated from the Group's operating activities. The Group intends to finance its expansion and business operations with internal resources and through organic and sustainable growth.

Cash and cash equivalents and restricted cash

As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB826.2 million (31 December 2018: approximately RMB849.6 million), which primarily consisted of cash at banks. Out of the RMB826.2 million, approximately RMB173.6 million is denominated in Renminbi and approximately RMB652.6 million is denominated in other currencies (primarily US dollars). The Group currently does not hedge transactions undertaken in foreign currencies.

As at 30 June 2019, the restricted cash balance was approximately RMB39.4 million (31 December 2018: RMB28.4 million), of which RMB26.0 million was restricted due to the cooperation with local authorities in relation to investigation of certain and consumers of the Group's platform. The Group, based on the external lawyer's legal opinion, believed that the Company is a bona fide third party and it is not probable that an outflow of resources embodying economic benefits will be required to settle any obligations, as such no provisions have been made by the Group as at 30 June 2019. In respect of the remaining balance of RMB13.4 million, a provision of RMB13.1 million has been recognized as at 30 June 2019.

Financial assets at fair value through profit or loss

As of 30 June 2019, the Group had current and non-current financial assets at fair value through profit or loss of RMB1,468.1 million, mainly comprised (a) investments in wealth management products and structured deposits of RMB1,397.1 million in aggregate (31 December 2018: RMB1,137.5 million), which mainly represented RMB603.2 million in short-term and RMB351.4 million in long-term non-principal guaranteed wealth management products and RMB442.5 million in principal guaranteed structured deposits with a floating interest rate, (b) investments in financial instruments with preferred rights of RMB70.9 million.

Subscriptions of wealth management products were made for treasury management purposes to maximize the return on the unutilized funds of the Company after taking into account, among others, the level of risk, return on investment, liquidity and the term to maturity. Generally, the Company had in the past selected short-term financial products issued by reputable commercial banks that had relatively low associated risk. Prior to making an investment, the Company had also ensured that there remains sufficient working capital for the Group's business needs, operating activities and capital expenditures even after making the investments in such financial products. The wealth management products were considered to have relatively low risk and are also in line with the internal risk management, cash management and investment policies of the Group. The Company had, in the past, totally recovered the principal and received the expected returns upon the redemption or maturity of similar financial products. In addition, the wealth management products were with flexible redemption terms or a relatively short term of maturity. In accordance with the relevant accounting standards, the wealth management products are accounted for as financial assets at fair value through profit or loss.

In view of an upside of earning a more attractive return than current saving or fixed deposit rate under the low interest rate trend, as well as the low risk nature and the flexible redemption terms or a relatively short term of maturity of the wealth management products, the directors of the Company (the "**Directors**") are of the view that these financial products pose little risk to the Group and the terms and conditions of each of the subscriptions are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Capital expenditures

For the six months ended 30 June 2019, the Group's capital expenditure amounted to approximately RMB3.5 million (six months ended 30 June 2018: approximately RMB2.9 million), which was mainly used for the acquisition of property, plant, equipment and intangible assets. The Group funded its capital expenditure by using the cash flow generated from its operations.

Contingent liabilities and guarantees

As at 30 June 2019, the Group did not have any significant unrecorded contingent liabilities, guarantees or any litigation against the Group except for that disclosed in the restricted cash section.

Plege of Assets

As at 30 June 2019, the Group did not plege any assets.

Foreign exchange risk management

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company is USD and the functional currency of subsidiaries operated in the PRC is RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

Material acquisitions and future plans for major investment

During the six months ended 30 June 2019, the Group has not conducted any material acquisitions or disposals. The Company entered into a share purchase agreement dated 14 July 2019 and other documents to acquire (i) the entire issued share capital of Social Network Technology Co., Ltd. and (ii) all rights in the equity interest of 北京藍莓時節科技有限公司 (Beijing Blueberry Technology Co., Ltd.) for a total consideration of US$85,000,000. Please refer to the Company's announcements dated 15 July 2019 and 22 August 2019, respectively, for further details. Save as otherwise disclosed, the Group currently has no specific plan for major investment or acquisition for major capital assets or other business. However, the Group will continue to identify new opportunities for business development.

Employees and Staff Costs

As at 30 June 2019, the Group had a total of 975 full time employees, mainly located in mainland China. In particular, 187 employees are responsible for the Group's business operations, 39 for sales and marketing, 144 for content monitoring, 21 for customer service, 495 for technology, research and development, and 89 for general and administrative functions.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Unaudited Six months ended 30 June	
	Note	**2019**	2018
		RMB'000	*RMB'000*
Revenue	*4*	**1,485,571**	2,281,186
Cost of sales	*5*	**(1,054,794)**	(1,500,768)
Gross profit		**430,777**	780,418
Selling and marketing expenses	*5*	**(320,585)**	(259,292)
Administrative expenses	*5*	**(94,400)**	(77,066)
Research and development expenses	*5*	**(153,033)**	(85,224)
Other gains — net		**33,546**	23,528
Other income		**37,210**	85,055
Operating profit		**(66,485)**	467,419
Finance income — net		**22,874**	5,434
Share of profit/(loss) of investments accounted for using the equity method		**14,420**	(9,333)
Fair value gains of financial instruments with preferred rights		**—**	549,072
(Loss)/profit before income tax		**(29,191)**	1,012,592
Income tax credit/(expense)	*6*	**1,644**	(54,200)
(Loss)/profit for the half-year		**(27,547)**	958,392
(Loss)/profit attributable to:			
— The owners of the Company		**(26,344)**	959,125
— Non-controlling interests		**(1,203)**	(733)
(Loss)/profit for the half-year		**(27,547)**	958,392

	Note	Unaudited Six months ended 30 June **2019** ***RMB'000***	 2018 *RMB'000*
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**1,687**	—
Total comprehensive (loss)/income for the half-year, net of tax		**(25,860)**	958,392
Total comprehensive (loss)/income attributable to:			
— The owners of the Company		**(24,657)**	959,125
— Non-controlling interests		**(1,203)**	(733)
		(25,860)	958,392
(Loss)/earnings per share attributable to the equity holders of the company (expressed in RMB per share)			
— Basic (loss)/earnings per share	*7*	**(0.01)**	1.14
— Diluted (loss)/earnings per share	*7*	**(0.01)**	0.24

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**21,515**	27,876
Intangible assets		**37,428**	67,544
Investments accounted for using the equity method		**264,938**	197,488
Financial assets at fair value through profit or loss		**422,357**	256,988
Deferred tax assets		**60,335**	4,121
Term deposits		**547,000**	500,000
Right-of-use assets	*3*	**158,877**	—
Loans, other receivables, prepayments, deposits and other assets		**26,021**	5,435
Total non-current assets		**1,538,471**	1,059,452
Current assets			
Inventories		**1,571**	1,496
Accounts receivables	*9*	**33,635**	53,007
Loans, other receivables, prepayments, deposits and other assets		**442,591**	449,503
Financial assets at fair value through profit or loss		**1,045,713**	937,040
Cash and cash equivalents		**826,156**	849,629
Term deposits		**378,891**	836,320
Restricted cash		**39,418**	28,386
Total current assets		**2,767,975**	3,155,381
Total assets		**4,306,446**	4,214,833
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		**13,623**	13,623
Other reserves		**4,073,620**	4,113,873
Accumulated deficits		**(679,687)**	(653,343)
		3,407,556	3,474,153
Non-controlling interests		**(2,502)**	(1,299)
Total equity		**3,405,054**	3,472,854

	Note	Unaudited 30 June 2019 RMB'000	Audited 31 December 2018 RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**135,183**	—
Deferred tax liabilities		**3,514**	5,509
Total non-current liabilities		**138,697**	5,509
Current liabilities			
Accounts payables	*10*	**498,930**	513,933
Other payables and accruals		**66,304**	67,513
Current income tax liabilities		**34,682**	958
Contract liabilities		**123,555**	143,710
Lease liabilities	*3*	**25,309**	—
Provisions		**13,359**	8,800
Other current liabilities		**556**	1,556
Total current liabilities		**762,695**	736,470
Total liabilities		**901,392**	741,979
Total equity and liabilities		**4,306,446**	4,214,833

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the owner of the Company					
	Share capital *RMB'000*	**Other reserves** *RMB'000*	**Accumulated deficits** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
Balance at January 2018 (Audited)	—	166,424	(1,755,954)	(1,589,530)	366	(1,589,164)
Profit and other comprehensive income						
Total profit and other comprehensive income	—	—	959,125	959,125	(733)	958,392
Transactions with owners in their capacity as owners						
Issuance of ordinary shares	6	—	—	6	—	6
Balance at 30 June 2018 (Unaudited)	6	166,424	(796,829)	(630,399)	(367)	(630,766)
Balance at 1 January 2019 (Audited)	**13,623**	**4,113,873**	**(653,343)**	**3,474,153**	**(1,299)**	**3,472,854**
Loss and other comprehensive income						
Total loss and other comprehensive income	**—**	**1,687**	**(26,344)**	**(24,657)**	**(1,203)**	**(25,860)**
Transactions with owners in their capacity as owners						
Share-based compensation expense	**—**	**16,630**	**—**	**16,630**	**—**	**16,630**
Shares repurchased	**—**	**(58,570)**	**—**	**(58,570)**	**—**	**(58,570)**
Total transactions with owners in their capacity as owners	**—**	**(41,940)**	**—**	**(41,940)**	**—**	**(41,940)**
Balance at 30 June 2019 (Unaudited)	**13,623**	**4,073,620**	**(679,687)**	**3,407,556**	**(2,502)**	**3,405,054**

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Cash flows from operating activities		
Cash (used in)/generated from operations	**(9,115)**	432,168
Interests paid	**—**	(1,480)
Interests received	**24,817**	5,434
Income tax paid	**(9,633)**	(54,460)
Net cash (used in)/generated from operating activities	**6,069**	381,662
Cash flows from investing activities		
Payments for intangible assets	**(713)**	(739)
Payments for property, plant and equipment	**(2,753)**	(2,166)
Proceeds for acquisition of subsidiary, net of cash acquired	**31**	—
Payments for investments in associates and joint ventures	**(53,030)**	—
Payments for long-term deposits	**(247,000)**	—
Payments for short-term deposits	**(1,253,017)**	—
Payments for investments in non-current financial assets at fair value through profit or loss	**(164,971)**	(28,000)
Payments for investments in current financial assets at fair value through profit or loss	**(1,157,910)**	(2,951,680)
Proceeds from disposal of investments in current financial assets at fair value through profit or loss	**1,066,300**	1,221,152
Proceeds from disposal of long-term deposits	**200,000**	—
Proceeds from disposal of short-term deposits	**1,710,446**	—
Proceeds from disposal of non-current financial assets at fair value through profit or loss	**14,045**	12,420
Proceeds from disposal of property, plant and equipment and intangible assets	**163**	—
Loans to third parties	**(25,392)**	(22,000)
Proceeds from third parties	**6,000**	16,000
Loans to related parties	**(27,617)**	(5,000)
Proceeds from related parties	**5,000**	—
Cash disposal due to disposal of a subsidiary, net of consideration received	**(25,839)**	—
Net cash generated from/(used) in investing activities	**43,743**	(1,760,013)

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Cash flows from financing activities		
Acquisition of shares*	**(58,570)**	—
Payment of lease liabilities	**(16,323)**	—
Repayment to third parties	**—**	(14,090)
Net cash used in financing activities	**(74,893)**	(14,090)
Net decrease in cash and cash equivalents	**(25,081)**	(1,392,441)
Effects of exchange rate changes on cash and cash equivalents	**1,608**	—
Cash and cash equivalents at beginning of period	**849,629**	2,182,777
Cash and cash equivalents at end of period	**826,156**	790,336

* During the six months ended 30 June 2019, the Group repurchased 15,772,000 shares and the restricted share unit scheme purchased 20,060,000 shares from the market. The total cost is RMB58,570,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. General information

Inke Limited (the "Company") was incorporated in the Cayman Islands on 24 November 2017 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together referred as to the "Group") are principally engaged in operating live streaming platforms and provision of advertising services in the People's Republic of China (the "PRC" or "China").

The condensed consolidated interim financial information comprises the condensed consolidated balance sheets as at 30 June 2019, the condensed consolidated comprehensive income for the six months ended 30 June 2019, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 June 2019, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

2. Basis of preparation of Interim Financial Information

This condensed consolidated Interim Financial Information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 ("IAS"), "Interim financial reporting". The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, this Interim Financial Information is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period.

3. Changes in accounting policies

The accounting policies, methods of computation and presentation used in the preparation of the interim financial information are consistent with those of the previous financial year and corresponding interim period, except for adoption of new and amended standards as set out below.

The income taxes for the interim period are accrued using the tax rates would be applicable to the expected total annual assessable profits.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. And the Group had to change its accounting policies as a result of adopting IFRS 16 Leases.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies.

The Group has adopted IFRS16 from 1 January 2019, but has not restated comparative amounts for the 2018 reporting period, as applied the simplified transition approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

(a) Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019, ranging from 5.23% to 5.39%.

The reconciliation between the operating lease commitments disclosed as at 31 December 2018 and the lease liability recognized as at 1 January 2019 is as follows:

	Unaudited
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	37,516
Discounted using the Group's incremental borrowing rate	32,339
Less: short-term leases recognized on a straight-line basis as expense	(2,379)
Less: low-value leases recognized on a straight-line basis as expense	(739)
Lease liability recognized as at 1 January 2019	29,221
Of which are:	
Current lease liabilities — current	22,524
Non-current lease liabilities — non-current	6,697

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease.*

The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

	Unaudited	
	30 June 2019	1 January 2019
	RMB'000	*RMB'000*
Properties	**158,877**	27,089

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise a small warehouse used for storing computer.

4. Revenue

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Live streaming	**1,410,184**	2,227,798
Online advertising	**70,350**	47,840
Others	**5,037**	5,548
	1,485,571	2,281,186

5. Expenses by nature

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Streamer costs	**909,399**	1,365,197
Promotion and advertising expenses	**308,807**	242,511
Employee benefit expenses	**203,159**	124,488
Bandwidth and server custody costs	**49,038**	49,820
Payment handling costs	**25,150**	29,801
Outsourced development costs	**20,212**	12,054
Travelling, entertainment and general office expenses	**18,655**	10,156
Technical support and professional service fees	**15,202**	9,822
Impairment of intangible assets	**12,730**	—
Depreciation of right-of-use assets	**12,052**	—
Impairment of goodwill	**10,334**	—
Content and copyright cost	**9,597**	9,706
Depreciation of property, plant and equipment	**8,636**	7,438
Amortization of intangible assets	**7,269**	7,856
Taxes and surcharges	**6,917**	16,939
Operating lease rentals	**2,024**	8,379
Listing expenses	**—**	24,049
Auditor's remuneration		
— Audit services	**1,500**	1,500
— Non-audit services	**630**	—
Other expenses	**1,501**	2,634
	1,622,812	1,922,350

6. Income tax credit/(expense)

	Unaudited Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Current tax	**(56,649)**	(56,340)
Deferred income tax	**58,293**	2,140
Income tax credit/(expense)	**1,644**	(54,200)

7. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing:

- the (loss)/profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

	Unaudited Six months ended 30 June	
	2019	2018
(Loss)/profit attributable to owners of the Company (RMB'000)	**(26,344)**	959,125
Weighted average number of ordinary shares in issue (thousands)	**2,048,650**	839,914
Basic (loss)/earnings per share attributable to the ordinary equity holders of the Company (expressed in RMB per share)	**(0.01)**	1.14

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

As the Group incurred losses for the period ended 30 June 2019, the potential ordinary shares were not included in the calculation of diluted loss per share, as the inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the period ended 30 June 2019 is the same as basic loss per share.

	Unaudited Six months ended 30 June	
	2019	2018
(Loss)/earnings (RMB'000) —		
(loss)/profit for the period	**(26,344)**	959,125
Adjustment for fair value gain of financial instruments with preferred rights	**—**	(549,072)
(Loss)/profit used to determine diluted (loss)/earnings per share	**(26,344)**	410,053
Weighted average number of ordinary shares (thousands) —		
Weighted average number of ordinary shares in issue for basic earnings per share	**2,048,650**	839,914
Adjustments for:		
Assumed conversion of financial instruments with preferred rights and after the capitalization issue	**—**	873,310
Weighted average number of ordinary shares for diluted earnings per share	**2,048,650**	1,713,224
Diluted (loss)/earnings per share (expressed in RMB per share)	**(0.01)**	0.24

8. Dividends

No dividends have been paid or declared by the Company during each of the period ended 30 June 2019 and 2018.

9. Accounts receivables

Majority of the Group's debtors are granted with credit periods mainly ranged from 1 to 3 months. An aging analysis of accounts receivables based on invoice date is as follows:

	Unaudited 30 June 2019	Audited 31 December 2018
	RMB'000	*RMB'000*
Accounts receivables		
— Up to 3 months	**31,169**	52,610
— 3 to 6 months	**409**	130
— 6 months to 1 year	**1,790**	267
— 1 to 2 years	**267**	—
	33,635	53,007

10. Accounts payables

Aging analysis of the accounts payables at the end of each reporting period are as follows:

	Unaudited 30 June 2019	Audited 31 December 2018
	RMB'000	*RMB'000*
— Up to 3 months	**254,823**	266,773
— 3 to 6 months	**10,598**	11,075
— 6 months to 1 year	**11,145**	13,976
— Over 1 year	**222,364**	222,109
	498,930	513,933

OTHER INFORMATION

INTERIM DIVIDEND

The Board does not make any payment of interim dividend for the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2019, the Company has repurchased a total of 15,772,000 shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of HK28,126,400 (of which 13,254,000 repurchased shares have been cancelled on 19 July 2019). The highest price paid per share is HK$2.06, and the lowest price paid per share is HK$1.46.

Except as disclosed above, during the six months ended 30 June 2019, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESTRICTED SHARE UNIT SCHEME

During the six months ended 30 June 2019, the trustee of the Restricted Share Unit Scheme has purchased a total of 20,060,000 Shares on the Stock Exchange.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

With the shares of the Company listed on the Stock Exchange on 12 July 2018, the net proceeds from the Global Offering (following full exercise of the Over-allotment Option) was approximately HK$1,229 million (the "**IPO Proceeds**").

As of 30 June 2019, the Company had used approximately RMB49.0 million to develop its new products, approximately RMB110.9 million to market and promote new products and approximately RMB101.0 million to develop technology, research and development capabilities. Both uses are consistent with the intended purpose of the IPO Proceeds.

The Company does not intend to change the purpose of the IPO proceeds as set out in the Prospectus and will gradually utilize the residual amount of the IPO proceeds in accordance with their intended purpose.

EVENTS AFTER THE REPORTING PERIOD

The Company entered into a share purchase agreement dated 14 July 2019 and other documents to acquire (i) the entire issued share capital of Social Network Technology Co., Ltd. and (ii) all rights in the equity interest of 北京藍莓時節科技有限公司 (Beijing Blueberry Technology Co., Ltd.) for a total consideration of US$85,000,000. Please refer to the Company's announcements dated 15 July 2019 and 22 August 2019, respectively, for further details.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability.

The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the six months ended 30 June 2019, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Feng is the chairman and chief executive officer of the Company. With extensive experience in the internet industry, Mr. Feng is responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment in 2004. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises three executive directors (including Mr. Feng), one non-executive director and three independent non-executive directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Corporate Governance Code and maintaining a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Rule 3.21 of the Listing Rules and the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises two independent non-executive directors of the Company, Mr. David CUI and Dr. LI Hui, and one non-executive director of the Company, Mr. LIU Xiaosong. Mr. David CUI is the chairman of the Audit Committee.

The Audit Committee has reviewed and discussed the unaudited interim results for the six months ended 30 June 2019. The Audit Committee has reviewed the Company's unaudited condensed consolidated interim results for the Reporting Period, and confirms that the applicable accounting principles, standards and requirements have been complied with, and that adequate disclosures have been made. The interim results for the Reporting Period is unaudited, but has been reviewed by the auditor, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the International Auditing and Assurance Standards Board.

CHANGE IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

There has been no further change in the Directors' biographical details which are required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange (http://www.hkexnews.hk) and that of the Company (http://www.inke.cn). The interim report of the Company for the six months ended 30 June 2019 will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board of
Inke Limited
FENG Yousheng
Chairman and Executive Director

Hong Kong, 27 August 2019

As the date of this announcement, the executive directors are Mr. FENG Yousheng, Ms. LIAO Jieming and Mr. HOU Guangling; the non-executive director is Mr. LIU Xiaosong; the independent non-executive directors are Mr. David CUI, Mr. DU Yongbo and Dr. LI Hui.